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FOR THE BENEFIT OF THE LESS DEVELOPED AREAS

SUMMARY

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United Kingdom

SPECIAL FACTORS AFFECTING INDUSTRIAL DEVELOPMENT IN LESS DEVELOPED AREAS

By D.W.R. HILL, B.Sc., Econ.,
Assistant Secretary,
Ministry of Commerce and Industry,
Federation of Rhodesia and Nyasaland

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SUMMARY OF PAPER ON SPECIAL FACTORS AFFECTING INDUSTRIAL DEVELOPMENT IN LESS DEVELOPED AREAS

1. Before productive development on scale is possible, transport, utilities, retail outlets, banking, buildings, efficient Government and medical and eductional facilities must all be available.

2. Pioneer industries in primitive areas have often had to provide such basic infrastructure in the past. The British South Africa Company did this in Central Africa up to 1923.

3. The potential for productive development is related to the minerals available for exploitation, the land available and climate and the latent ability of the people.

4. Most of the less developed countries today are basically raw material producers. Customs barriers in the advanced countries protect industry but allow the entry of raw material. This practise inhibits the development of industry in the less developed areas.

5. Strategic considerations in advanced countries may also inhibit developments in less developed areas.

6. The less developed areas taken together appear to be producing for export ever increasing quantities of agricultural crops and minerals. The agricultural crops because there is always a base for farming even in the most primitive countries which can be developed cheaply, and the minerals because international mining houses are exploiting good quality ores. Unfortunately world trends have been and are towards lower prices for primary products.

7. The domestic market appears to be the only safe market on which to base plans for industrial development. Even where markets appear to be available in surrounding countries these markets cannot be relied on because all less-developed areas are intent on industrial development. Many industries may have to be started on the growth potential rather than on the relatively small actual market in a poor country.

8. There is definitely scope in the less developed areas for the use of plant and machinery which might have become outdated in the advanced countries because labour costs are lower and there is generally a surplus of labour seeking employment.

9. Specially qualified and experienced experts capable of making an examination of possibilities for industrial development are often in short supply in the less developed areas.

10. Vertical industry using local materials will bring maximum benefit to an economy but industry based on imported materials may be a useful stepping stone to this development. However, revenue considerations

and an assessment of the impact on the national income may rule out this sort of intermediate type of development in a poor country.

11. Capital and skilled labour may be very difficult to obtain; capital because more profit can be made by supplying from outside the particular country and skilled labour because it has to be tempted by the offer of high rewards. It is obviously important to economise on both capital and skilled labour to maximum extent.

It is also vital in those countries fortunate in having a skilled or managerial class to encourage such persons to stay permanently.

12. There are additional costs incurred in utilising local unskilled labour in the less developed areas, these include having to educate communities to a background of industrialisation, to provide technical training and to improve the educational level. However unskilled labour has been made remarkably productive in the Federation over time and provided jobs can be fragmented there are great possibilities for increased productivity.

13. The combination of the various factors of production in the less developed countries should bear little resemblance to what is done in the advanced countries, but there is a tendency to make too little use of the plentiful factor - unskilled labour, and too much of the scarce factors - capital and skilled labour. This tendency is accentuated by adopting systems of tax allowances which have relevance in the advanced countries.

14. The development of secondary industry usually starts with the manufacture of basic consumer requirements - food and clothing.

15. Capital intensive industries should make maximum usage of such expensive plant and machinery by running on a three shift basis.

16. The processing of crops and minerals to save transport costs and for preserving purposes is another field for the development of secondary industry.

17. Customs duties at a realistic level may be necessary to ensure local production can make an impact in competition with imported products. Special treatment may be necessary to counter dumping of imported products.

18. Import control and exclusive licensing are other weapons to assist the development of secondary industry.

19. Economic groupings of under-developed countries could assist industrial development by providing the right sized market for the products which require large scale production. Direction of industry in such economic groups would ensure all territories benefited therefrom.

20. The fortunate countries of the world must redouble their efforts to assist the transition of the less fortunate from poverty to plenty.

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